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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER

8 49005

**FACING PAGE**

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 07/1/03 AND ENDING 06/30/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

SENTINEL BROKERS COMPANY, INC.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1045A PARK BLVD. SUITE 1

(No. and Street)

MASSAPEQUA PARK

NY

11762

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

JAN PASTERNAK, CPA

516-829-6767

(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

KIRSCHNER &amp; PASTERNAK LLP

(Name — if individual, state last, first, middle name)

8 BOND STREET

GREAT NECK

NY

11021

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

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OCT 22 2004

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FINANCIAL

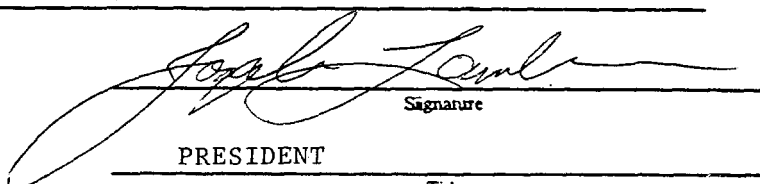
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

## OATH OR AFFIRMATION

I, JOSEPH M. LAWLESS, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SENTINEL BROKERS COMPANY, INC., as of JUNE 30, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

TRAVIS A. NICHOLSON  
Notary Public, State of New York  
No. 4907731  
Qualified in Nassau County  
Commission Expires Oct. 13, 2005

Notary Public

  
Signature  
PRESIDENT  
Title

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**SENTINEL BROKERS COMPANY, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**JUNE 30, 2004**

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**SENTINEL BROKERS COMPANY, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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# KIRSCHNER & PASTERNAK LLP

CERTIFIED PUBLIC ACCOUNTANTS

8 BOND STREET • SUITE 100  
GREAT NECK, N.Y. 11021

(516) 829-6767 • FAX (516) 829-2828

STEPHEN J. KIRSCHNER, CPA  
JAN S. PASTERNAK, CPA  
GEORGE J. MOSKOWITZ, CPA  
BERNARD SPEAR, CPA

## INDEPENDENT AUDITORS' REPORT

Mr. Joseph Lawless  
Sentinel Brokers Company, Inc.  
1045A Park Boulevard  
Massapequa, NY 11762

We have audited the accompanying balance sheet of Sentinel Brokers Company, Inc. (a corporation) as of June 30, 2004 and the related statements of income, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sentinel Brokers Company, Inc as of June 30, 2004, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the accompanying schedule is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Kirschner & Pasternak LLP*

Kirschner & Pasternak LLP  
Great Neck, N.Y.  
August 12, 2004

**SENTINEL BROKERS COMPANY, INC.**

**BALANCE SHEET**

**JUNE 30, 2004**

**ASSETS**

Current Assets

Cash and cash equivalents	\$ 132,449	
Deposit held at brokerage firm	100,000	
Marketable securities-available for sale	<u>285,015</u>	
Total current assets		\$ 517,464

Other Assets		<u>17,180</u>
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Total Assets		<u>\$ 534,644</u>
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**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities

Accounts payable	\$ 35,278	
Accrued expenses and taxes payable	66,025	
Loan payable-bank	19,535	
Subordinated note payable	<u>100,000</u>	
Total liabilities		\$ 220,838

Commitments and contingencies (Note 3)

Stockholders' Equity

Capital stock	100	
Additional paid in capital	233,709	
Accumulated other comprehensive loss	(13,400)	
Retained earnings	<u>93,397</u>	
		<u>313,806</u>

Total Liabilities and Stockholders' Equity		<u>\$ 534,644</u>
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See accountants report and notes to financial statements

**SENTINEL BROKERS COMPANY, INC.**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2004**

Revenue	
Commissions	\$ 1,157,386
Interest income	21,577
Other	<u>(8,268)</u>
Total Revenue	<u>1,170,695</u>
Expenses	
Salaries	762,454
Payroll taxes	41,209
Trade processing	135,624
Rent	21,350
Telephone	29,243
Utilities	3,413
Professional fees	19,294
Advertising	1,231
Dues and subscriptions	6,597
Office supplies and expenses	41,688
Insurance	13,251
Travel and entertainment	83,018
Interest expense	1,297
Depreciation and amortization	<u>2,596</u>
Total Expenses	<u>1,162,265</u>
Net income before taxes	8,430
Less: Provision for income taxes	<u>3,974</u>
Net income	<u><u>\$ 4,456</u></u>

See accountants report and notes to financial statements

**SENTINEL BROKERS COMPANY, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2004**

Retained Earnings-July 1, 2003	\$ 88,941
Net income for the year	<u>4,456</u>
Retained Earnings-June 30, 2004	<u><u>\$ 93,397</u></u>

**SCHEDULE OF STOCKHOLDERS' EQUITY**

Capital Stock, 200 shares authorized, 100 shares issued and outstanding, no par value		\$ 100
Additional Paid in Capital		
July 1, 2003	233,709	
Additions	<u>-</u>	
Paid in Capital June 30, 2004		233,709
Other comprehensive loss		
July 1, 2003	(9,900)	
Unrealized holding losses on available for sale securities	<u>(3,500)</u>	
Accumulated other comprehensive loss- June 30, 2004		(13,400)
Retained Earnings		<u>93,397</u>
Total Stockholders' Equity		<u><u>\$ 313,806</u></u>

See accountants report and notes to financial statements



**SENTINEL BROKERS COMPANY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**Cash flows from operating activities:**

Net income	\$ 4,456
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation and amortization	2,596
Loss on investments	8,268
Decrease in broker receivable	100,000
Decrease in other assets	185
Increase in accounts payable and accrued expenses	511
Total adjustments	<u>111,560</u>
Net cash provided by operating activities	<u>116,016</u>

**Cash flows from investing activities:**

Debt and equity investments	(5,463)
Net decrease in fixed assets	(4,190)
Increase in employee loan receivable	<u>(500)</u>
Net cash used in investing activities	<u>(10,153)</u>

**Cash flows from financing activities:**

Decrease in loans payable	<u>(4,450)</u>
Net cash used in financing activities	<u>(4,450)</u>

Net increase in cash	101,413
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Cash - beginning	<u>31,036</u>
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Cash - ending	<u><u>\$ 132,449</u></u>
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**Supplemental information:**

Cash paid during the period for:

Interest	\$ 1,297
Income taxes	<u><u>\$ 11,629</u></u>

See accountants report and notes to financial statements.

**SENTINEL BROKERS COMPANY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Business Activity

Sentinel Brokers Company, Inc. (The Company) began business on January 1, 1998 by continuing the business of Sentinel Brokers Company, a New York proprietorship. Its primary business activity is acting as an intermediary facilitating the trading of Municipal Bonds between institutions. The company has no retail customer base.

Basis of Financial Statements

Sentinel Brokers Company, Inc.'s financial statement for the thirteen month period from June 1, 1997 to June 30, 1998 combined the activity of Sentinel Brokers Company (a sole proprietorship) from June 1, 1997 to December 31 1997 with the activity of Sentinel Brokers Company, Inc. (a corporation) from January 1, 1998 to June 30 1998. For the years ended June 30, 1999 through 2004 the Financial Statements include only the activity of Sentinel Brokers Company, Inc.

Cash and Cash Equivalents

The company considers all highly liquid investments with a maturity of three months or less, when purchased, to be "cash equivalents".

During the year, the Company had cash in excess of \$100,000 on deposit in individual banks. The Federal Deposit Insurance Corporation (FDIC) insures only the first \$100,000 of funds at member banks.

Revenue Recognition

Commission Income (and the recognition of related income and expenses) are recorded at the time the commissions are earned from completed bond sales.

Fixed Assets

Fixed Assets are recorded at costs and are depreciated using an accelerated method.

Amortization of Organization Costs

Organization costs are being amortized over five years.

**SENTINEL BROKERS COMPANY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 1 - CONTINUED**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2- SUBORDINATED NOTE PAYABLE**

Subordinated note payable to Anne Lawless, due July 31, 2002, stated interest rate of 5%. This note was renewed August 1, 2002 and extended to July 31, 2004, when it was repaid.

**NOTE 3- COMMITMENTS**

The Company occupies space at 1045A Park Boulevard, Massapequa Park, New York. The term of the lease was through October 31, 1998. At present, the company is a month to month tenant.

**NOTE 4 - NET CAPITAL REQUIREMENT**

The Company is subject to the securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 1500%. At June 30, 2004, the Company's net capital of \$378,245 was \$278,245 in excess of the required net capital of \$100,000. The Company's net capital ratio was 31.95%.

## **SUPPLEMENTARY INFORMATION**

**SENTINEL BROKERS COMPANY, INC.**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2004**

**NET CAPITAL COMPUTATION**

Credit Factors		
Capital		\$ 313,806
Allowable Subordinated Liabilities		<u>100,000</u>
Total Credit Factors		413,806

Debit Factors		
Capital Not Allowable for Net Capital	\$ 17,180	
Debt Securities – Haircut	<u>18,381</u>	<u>35,561</u>
Net Capital		378,245

Less: Minimum Net Capital Requirements		
Greater of .66% of Aggregate Indebtedness		
Or \$100,000		<u>100,000</u>

Remainder: Capital in Excess of All Requirements		<u>\$ 278,245</u>
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Capital Ratio (Maximum Allowance 100%)	
*Aggregate Indebtedness	
	<u>\$ 120,839</u> = 31.95%

Divided by: Net Capital	\$ 378,245
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*Aggregate indebtedness:	
Accounts payable and Accrued Expenses	\$ 101,304
Loans payable	<u>19,535</u>
Total Aggregate Indebtedness	<u>\$ 120,839</u>

**RECONCILIATION OF SECURITIES OWNED, HAIRCUTS ON DEBT SECURITIES  
AND RETAINED EARNINGS**

Reconciliation with Company's computation (included	
In part IIa of form X-17A-5 as of June 30, 2004)	
Securities owned as Reported in Company's Part IIa	
Line 4D.(Unaudited) FOCUS Report previously filed	\$18,000
Adjustments-correction to June 30, 2004 market value	<u>( 5,400)</u>
Line 4D (Unaudited) FOCUS Report as amended	<u>\$12,600</u>

The accompanying notes are an integral part of these statements

**SENTINEL BROKERS COMPANY, INC.**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2004**

Reconciliation with Company's computation (included

In Part IIa of form X-17A-5 as of June 30, 2004)

Haircuts on securities as Reported in Company's Part IIa

Line 9C 2 & 3.(Unaudited) FOCUS Report previously filed \$19,461

Adjustments-correction to original value (1,080)

Line 9C 2 & 3D (Unaudited) FOCUS Report as amended \$18,381

Reconciliation with Company's computation (included

In Part IIa of form X-17A-5 as of June 30, 2004)

Retained earnings as Reported in Company's Part IIa

Line 23D.(Unaudited) FOCUS Report previously filed \$95,067

Adjustments-Unrealized losses on investments (5,400)

Realized losses on investments (5,025)

Year end expense accruals (4,645) (15,070)

Line 23D (Unaudited) FOCUS Report as amended \$79,997

The accompanying notes are an integral part of these statements

# KIRSCHNER & PASTERNAK LLP

CERTIFIED PUBLIC ACCOUNTANTS

8 BOND STREET • SUITE 100

GREAT NECK, N.Y. 11021

(516) 829-6767 • FAX (516) 829-2828

STEPHEN J. KIRSCHNER, CPA  
JAN S. PASTERNAK, CPA  
GEORGE J. MOSKOWITZ, CPA  
BERNARD SPEAR, CPA

Mr. Joseph Lawless  
Sentinel Brokers Company, Inc.  
1045A Park Boulevard  
Massapequa, NY 11762

In planning and performing our audit of the financial statements of Sentinel Brokers Company, Inc. (a corporation) for the year ended June 30, 2004, we considered their internal control structure including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) and (2) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Sentinel Brokers Company, Inc. that we considered relevant to the objectives stated in Rule 17(a)-5(g), (1) in making periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(II); (2) in complying with the exemption provisions of Rule 15c-3-3. We did not review the practices and procedures followed by the company (1) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; (2) in the Board of Governors of the Federal Reserve System; and (3) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and rate costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. Two of the objectives of an internal control structure and practices and procedures are to provide management with reasonable, but not absolute assurances that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may be inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for determining compliance with the exemption provisions of rule 15c3-3, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study we believe that the Company's practices and procedures were adequate at June 30, 2004 to meet the Commission's objectives.

This report recognizes that it is not practical in an organization the size of Sentinel Brokers Company, Inc. to achieve all the division of duties and cross checks generally included in a system of internal accounting control and that alternatively greater reliance must be placed on surveillance of management.

Further, that no material differences existed between our computations of your net capital, or determinations of the reserve requirements, and your corresponding Focus Report part II A filing, except as noted in the Supplementary Information (Page 8).

This report is intended solely for the use of management, the Securities and Exchange Commission, and other regulatory agencies which rely on rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Kirschner & Pasternack LLP". The signature is written in a cursive, flowing style.

Kirschner & Pasternack LLP  
Certified Public Accountants

August 12, 2004